

Role of Microfinance Institutions in Banking Literacy among Women

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Abstract

Microfinance has emerged as a larger movement in which as everyone, especially the poor and socially marginalized people and households have access to a broad range of affordable, high quality financial products and services, including not just credit but also savings, insurance, payment services, and fund transfers. Microfinance is a broad category of services, which includes microcredit and it enhance financial inclusion. Now a day the stance of microfinance was changed and they target women's as their customers. They provide many loan and other non-financial services to women for their empowerment. It was a flourishing and effective tool for women empowerment. From this scenario it is pertinent to study the role of Microfinance Institutions in Banking Literacy among women.

Keywords: Microfinance, Banking literacy, Micro Financial Institutions

1.1 Introduction

Around the globe microfinance has captured the concentration of development practitioners and policy of makers mainly for the usefulness and unfussiness. Microfinance institutions are playing an essential role in the development of rural people in developing and under developed countries. In India microfinance plays a significant role. According to National Microfinance Task force 1999 "Microfinance means provision for thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban or urban areas for enabling them to raise their income levels and improving living standards" (Indian institute of management and finance, 2009).

The history of microfinancing can be traced back as long to the middle of the 1800s when the theorist Lysander Spooner was writing over the benefits from small credit to entrepreneurs and farmers as a means of getting the people away from home of poverty. Today the use of the expression 'microfinancing' has its roots in 1970's when organisation's such as Grameen Bank of Bangladesh with the microfinance pioneer Mohammad Yunus, where preparatory and shaping the modern industry of microfinancing. Today the world estimates that more than sixteen million people as served by some 7000 MFIs all over the world (Indian institute of management and finance, 2009).

Now a day the stance of microfinance was changed and they target women's as their customers. They provide many loan and other non-financial services to women for their empowerment. It was a flourishing and effective tool for women empowerment. From this scenario it is pertinent to study the role of Microfinance Institutions (based on their service delivery) in Banking Literacy among women.

1.2 Review of the Literature

Sudhin Kumar Bera (2011) did a study on the topic "A Study of SHG Microfinance Initiatives in PurboMidnapore District of West Bengal." The objectives of the study are, to identify and assess the socio economic conditions of members of SHGs from Midnapore District, to examine the utilization of microfinance service provided by the SHGs on income and employment levels of the beneficiaries in the district and to study the financial issues related to SHGs. It is found that beside economic improvement the social outlook of the rural women has undergone a radical change. The involvement in groups significantly contributed in improving self confidence among the members.

Anna Custers (2011) did a study on the topic "Furthering Literacy Experimental Evidence from a Financial Literacy Program for Microfinance Client in Bhopal, India." The study investigates the effects of a financial literacy training programs on financial literacy level of microfinance clients. The study finds that the financial literacy programme provided to the clients increased their financial literacy. It also suggests that such training programme will increase the financial literacy of poor.

M. S. Sriram (2011) conducted a study named "Commercialization of microfinance in India- A decision on the Emperors Appeal". This study explains the growth and commercialization of microfinance in India. Based on the result study concluded that microfinance is focused on poverty and looking at intervention that would benefit the poor. However once these organizations discounted the magic of microfinance and student to grow, there will be differences.

1.3 Theoretical Review-Microfinance institutions and Banking Literacy

Microfinance Institutions: -Those institutions which have microfinance as their main operation are known as micro finance institutions. A number of organizations with varied size and legal forms offer microfinance service. These institutions lend through the concept of Joint Liability Group (JLG). A JLG is an informal group comprising of 5 to 10 individual members who come together for the purpose of availing bank loans either individually or through the group mechanism against a mutual guarantee. The reason for existence of separate institutions i.e. MFIs for offering microfinance are as follows:

- High transaction cost – generally micro credits fall below the break-even point of providing loans by banks
- Absence of collaterals – the poor usually are not in a state to offer collaterals to secure the credit □

- Loans are generally taken for very short duration periods □ Higher frequency of repayment of instalments and higher rate of Default

Non-Banking Financial Companies (NBFCs), Co-operative societies, Section-25 companies, Societies and Trusts, all such institutions operating in microfinance sector constitute MFIs and together they account for about 42 percent of the microfinance sector in terms of loan portfolio. The MFI channel is dominated by NBFCs which cover more than 80 percent of the total loan portfolio through the MFI channel.

Banking Literacy:-banking literacy is the core area of Financial literacy which means the ability of people to understand and dealing with the banking environment efficiently. It includes the ability to understand banking statements, improvements in savings, regularly update with changes in interest rates etc.

1.4 Statement of the Problem

Microfinance is a small loan facility given to the people. It is considered to be one of the effective tool of women empowerment. By simply offering loan to women be sufficient to make changes in their attitude and literacy level? To what extent Microfinance loan facility succeed in bringing the targeted societies into the world of banking? Is microfinance institutions have any role in Banking Literacy among women?

There are many studies conducted about Microfinance initiatives and women empowerment. But nothing to be mentioned about role of Microfinance Institutions in Banking Literacy. Thus the research gap is identified and problem is stated as Role of Microfinance Institutions in Banking Literacy of women in Kottayam District.

1.5 Objectives of the Study

Primary objective of the study is to know the role of microfinance institutions in banking literacy among women. Subsidiary objectives are as follows:

1. To know the awareness level of women about various banking terms after joining MFIs.
2. To know the satisfaction level with regards to available services offered by MFIs.
3. To know whether the MFIs improves readability and understanding ability about banking environment
4. To Know whether the Microfinance initiatives creates any savings habit among women

1.6 Research Methodology

1.6.1 Research Design: the study was descriptive and Exploratory in nature

1.6.2 Type and Source of Data: Both Primary and secondary data was used in this study. Primary data was collected through structured questionnaire survey and secondary data was collected from various journals and magazines.

1.6.3 Sample and Sampling Methods: sample Size was 50 women's who are the beneficiaries of Micro credit from Kottayam District of Kerala State. Sampling technique was Best Judgment method.

1.6.4 Tools for Data Analysis: Mean Score Analysis and Descriptive statistics was used for analysing collected data. SPSS software was used in this study.

1.7 Data Analysis and Interpretation

1.7.1 Awareness level of women about various banking terms after joining MFIs.

Awareness level on	Level of awareness					Mean	SD	MPS	Level
	EA	MA	SWA	SA	NAA				
ATM	100% (50)	-	-	-	-	5.00	0.00	100	Extremely Aware
Debit Card	100% (50)	-	-	-	-	5.00	0.00	100	Extremely Aware
Bank Overdraft	22% (11)	24% (12)	30% (15)	14% (7)	10% (5)	3.34	1.26	66.8	Somewhat Aware
Cash Credit	6% (3)	8% (4)	4% (2)	26% (13)	56% (28)	1.82	1.21	36.4	Not at All Aware
Passbook	100% (50)	-	-	-	-	5.00	0.00	100	Extremely Aware
Cheque book	56% (28)	26% (13)	18% (9)	-	-	4.38	0.78	87.6	Extremely Aware
Mobile Banking	100% (50)	-	-	-	-	5.00	0.00	100	Extremely Aware
Types of Deposits	46% (23)	24% (12)	18% (9)	6% (3)	6% (3)	3.98	1.20	79.6	Extremely Aware
Loans	100% (50)	-	-	-	-	5.00	0.00	100	Extremely Aware
Types of Bank Accounts	20% (10)	30% (15)	28% (14)	12% (6)	10% (5)	3.38	1.23	67.6	Somewhat Aware

Source: Primary data

EA: Extremely Aware, MA: Moderately Aware, SWA: Somewhat Aware, SA: Slightly Aware, NAA: Not at All Aware, SD: Standard Deviation, MPS: Mean Percent Score

Above table clearly states the awareness level of women about various banking terms after joining Micro Finance Institutions. Women are extremely aware about most of the banking terms. ATM, Debit Card, Passbook, Mobile Banking, and Loans facilities of the banks shows 100% awareness as it gives highest level of Mean and lowest level of Standard Deviation. Bank Overdraft and Types of Bank Accounts are somewhat aware by the respondent and also, the term Cash Credit is not at all aware because it shows lowest mean. It is the facility provided to the current account holder to withdrew more than what they deposited in the bank.

1.7.2 Satisfaction level with regards to available services offered by MFIs

Satisfaction level on	Level of Satisfaction					Mean	SD	MPS	Level
	ES	VS	U	SS	NAS				
Loan facility	32% (16)	52% (26)	-	-	16% (8)	4.64	0.63	92.80	Extremely Satisfied
Household equipments	32% (16)	52% (26)	16% (8)	-	-	3.84	1.33	76.80	Extremely Satisfied
Insurance coverage	32% (16)	36% (18)	32% (16)	-	-	3.36	1.69	67.20	Unsure
Employment opportunity	36% (18)	12% (6)	4% (2)	40% (20)	8% (4)	3.28	1.50	65.60	Unsure
Training facility for women empowerment	10% (5)	18% (9)	18% (9)	24% (12)	30% (15)	2.54	1.36	50.8	Slightly Satisfied

Source: Primary data

ES: Extremely Satisfied, VS: Very Satisfied, U: Unsure, SS: Slightly Satisfied, NAS: Not At All Satisfied, SD: Standard Deviation, MPS: Mean Percent Score

Above table clearly shows the Satisfaction level with regards to available services offered by MFIs. Loan facility and household equipments provided by the banks are extremely satisfied by the respondent as it gives highest level of Mean and lowest level of Standard Deviation. Training facility for women empowerment are slightly satisfied by the respondents and the women are unsure about the level of satisfaction regarding insurance coverage and employment opportunity.

1.7.3 Opinion regarding whether MFIs improves readability and understanding ability about banking environment

Opinion on	Level of opinion					Mean	SD	MPS	Level
	SA	A	N	D	SD				
Capable in filling bank forms	26% (13)	38% (19)	36% (18)	-	-	3.90	0.79	78	Strongly Agree
good readability about banking terms	-	44% (22)	-	16% (8)	40% (20)	2.48	1.40	49.6	Disagree
Confident in taking financial decisions	16% (8)	46% (23)	20% (10)	8% (4)	10% (5)	3.50	1.16	70	Neutral
ATM usage	34% (17)	8% (4)	46% (23)	6% (3)	6% (3)	3.58	1.20	71.6	Agree
Usage of CDM	10% (5)	14% (7)	34% (17)	-	42% (21)	2.50	1.42	50	Neutral

Source: Primary data

SA: Strongly Agree, A: Agree, N: Neutral, D: Disagree, SD: Strongly Disagree, SD: Standard Deviation, MPS: Mean Percent Score

Above table shows the respondent's opinion regarding whether MFIs improves readability and understanding ability about banking environment. Respondents are strongly agreeing that they are capable in filling bank forms as it gives the it gives highest level of Mean and lowest level of Standard Deviation. Respondents are disagreeing with the opinion on, they are good readability about banking terms. They are neutral in the opinions regarding Confident in taking financial decisions and Usage of CDM. The respondents agree with the opinion on ATM usage as it shows 3.58 mean and 71.60 Mean Percent Score.

1.7.4 Opinion regarding whether the Microfinance initiatives creates any savings habit among women

Opinion on	Level of opinion					Mean	SD	MPS	Level
	SA	A	N	D	SD				
savings habit increased after joining MFIs	48% (24)	24% (12)	28% (14)	-	-	3.96	0.73	79.2	Strongly Agree

Source: Primary data

SA: Strongly Agree, A: Agree, N: Neutral, D: Disagree, SD: Strongly Disagree, SD: Standard Deviation, MPS: Mean Percent Score.

The above table shows the respondents opinion regarding whether the Microfinance initiatives creates any savings habit among women. The women strongly agree that savings habit increased after joining MFIs because it has the mean of 3.96 and 0.73 standard Deviation. But 24% of the total respondents agreeing that Microfinance initiatives creates savings habit and 28% neutral in this point.

1.8 Findings

1. Women are fully aware of ATM, Debit Card, Passbook, Mobile Banking, and Loans facilities of the banks after joining in Micro Financial Institutions.
2. Women are not at all aware of cash credit facility of the banks after joining in Micro Financial Institutions.
3. Loan facility and household equipment's provided by the banks are extremely satisfied by the respondents.
4. Respondents are strongly agreeing that they are capable in filling bank forms after joining in Micro Financial Institutions
5. Respondents are disagreeing that good readability about banking terms after joining MFIs
6. The women strongly agree that savings habit increased after joining MFIs

1.9 Conclusion

Microfinance was developed to provide loans to poor people with the goal of creating financial inclusion and equality. It helps to the rural people not only in terms of financial assistance, but also in terms of some other improvements like Financial Literacy, women empowerment, Banking Literacy etc. The findings of

this study clearly revealed that, MFIs play an important role in Bnking literacy among women in Kottayam District. After joining MFIs there awareness level about various banking terms improved, there savings habit increased and also they improve in terms of personal capabilities such as self-confidence, readability and understanding capacity of banking terms etc. Therefore, this study concluded that Microfinance plays an Important role in Banking Literacy among women in Kottayam District.

1.10 Bibliography

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